



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARTER COUNTY SHERIFF**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Alice Binion, Carter County Judge/Executive
Honorable Kevin McDavid, Carter County Sheriff
Members of the Carter County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Carter County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Carter County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
CARTER COUNTY SHERIFF**

Calendar Year 2001

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARTER COUNTY SHERIFF

Calendar Year 2001

Berger & Ross, PLLC has completed the audit of the Carter County Sheriff for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$20,642 from the prior calendar year, resulting in excess fees of \$30,823 as of December 31, 2001. Revenues increased by \$26,382 from the prior year and disbursements increased by \$42,835.

Report Comments:

None.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Subsequent Events:

None.

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National Association of Government Accountants (NAGAs)
National Association of Public Accountants (NAPAs)
National Association of Public Accountants (NAPAs)

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Carter County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the Carter County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Carter County Sheriff's office prepared the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts and disbursement of the Sheriff for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Dana Mayton, Secretary, Revenue Cabinet
Honorable Alice Binion, County Judge/Executive
Honorable Kevin McDavid, Carter County Sheriff
Members of the Carter County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 7, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
June 7, 2002

CARTER COUNTY
KEVIN MCDAVID, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

Federal Payments:

Corp of Engineer - Lake Patrol	\$	25,321		
FADE Grant		15,529	\$	40,850

State Payments:

Finance and Administration Cabinet Payments	\$	17,208		
Cabinet for Human Resources		1,803		
KLEFPF Grant		12,899		31,910

Circuit Court Clerk:

Sheriff Security Service	\$	27,573		
Fines and Fees Collected		2,453		30,026

Fiscal Court

Transporting Prisorers	\$	5,500		
Payroll		4,773		
Reimbursement		9,455		19,728

County Clerk:

Delinquent Taxes				3,805
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Commission on Taxes Collected				158,695
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Other Fees on Tax Collection

10% Sheriff's Penalty	\$	34,356		
Sheriff's Collection Fee - Advertised Taxes		3,665		38,021

Fees Collected for Services:

Auto Inspections	\$	12,900		
Serving Papers		11,690		
Carrying Concealed Deadly Weapons Permit		4,995		29,585

Other Services:

Transporting Mental Patients	\$	982		
Juvenile Transport		250		
Occupational Permit Fees		2,546		
Interest		2,978		
Miscellaneous		441		7,197

Borrowed Money

State Advancement				73,860
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Gross Receipts			\$	433,677
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The accompanying notes are an integral part of the financial statement.

CARTER COUNTY
KEVIN MCDAVID, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Disbursements

Operating Disbursements:

Personnel Services -

Deputies Gross Salaried	\$ 101,480	
Part-time Gross Salaries	10,354	
Other Gross Salaried	<u>58,111</u>	\$ 169,945

Employee Benefits -

Employer's Share Social Security	\$ 17,005	
Employer's Share Retirement	15,328	
Employer's Workman's Comp	4,986	
Employer Paid Health Insurance	<u>14,715</u>	52,034

Materials and Supplies -

Office Materials and Supplies	\$ 3,001	
Uniforms	<u>227</u>	3,228

Auto Expense -

Maintenance and repairs	\$ 5,764	
Gasoline	11,676	
Liability Insurance	<u>4,500</u>	21,940

Other Charges -

Telephone	\$ 2,127	
Bond	584	
Advertising	307	
Deputies Fees	362	
Occupational Fees	2,115	
Dues	904	
Fiscal Court Service Fees	4,560	
Transporting Prisoners	25	
CCDW Fees	3,290	
Postage	1,120	
Miscellaneous	<u>2,958</u>	18,352

Debt Service -

State Advancement		<u>73,860</u>
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Total Disbursements	\$	<u>339,359</u>
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Net Receipts	\$	94,318
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Less: Statutory Maximum		<u>63,495</u>
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Excess Fees Due for Calendar Year 2001	\$	30,823
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Less: Payment - January 31, 2002		30,790
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Less: Payment - February 12, 2002		<u>33</u>
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Balance Due at Completion of Audit	\$	<u>-</u>
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The accompanying notes are an integral part of the financial statement.

CARTER COUNTY
KEVIN MCDAVID, SHERIFF
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations backed by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

CARTER COUNTY
KEVIN MCDAVID, SHERIFF
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. FIVCO Area Drug Enforcement (FADE) Task Force

The Office of the Carter County Sheriff received \$15,529 as part of the FIVCO Area Drug Enforcement (FADE) Task Force. The grant was obtained by the fiscal court. These funds were used to pay salaries for the Sheriff's Office.

Note 5. Lake Patrol

The Office of the Carter County Sheriff received \$25,321 from the United States Army Corp of Engineers for providing lake patrol services at Grayson Lake.

Note 6. State Advancements

The \$73,859.78 of state advancements was received and repaid by the Sheriff's office. The advancement was approved by the Fiscal Court and proper bond was executed by the Sheriff.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Carter County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated June 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carter County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carter County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance with Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
June 7, 2002

